

Diffusion of innovation model marketing essay



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Although iPhone doesn't need any introduction, but to be precise and brief it has been a revolution in the industry and is one of the main product of APPLE INC . The first iPhone was introduced on January 9th 2007 and was officially made available on June 29th 2007 and then was available in United Kingdom, Germany and France in November of the same year. At present the fourth generation of the iPhone is in the market known as iPhone 4.

http://www.wired.com/science/discoveries/news/2007/06/dayintech_0605

^ “ The Untold Story: How the iPhone Blew Up the Wireless Industry”. Wired. January 9, 2008. [http://www.wired.com/gadgets/wireless/magazine/16-02/ff_iphone? currentPage= all](http://www.wired.com/gadgets/wireless/magazine/16-02/ff_iphone?currentPage=all).

com/gadgets/wireless/magazine/16-02/ff_iphone? currentPage= all.

^ Honan, Mathew (January 9, 2007). “ Apple unveils iPhone”. Macworld. <http://www.macworld.com/article/54769/2007/01/iphone.html>. Retrieved April 6, 2008.

Diffusion of Innovation Model

As we all know ‘ Diffusion of innovations’ model explains how and to what extent the innovations are accepted by the people (customers) and the rate at which it spreads through different cultures and countries.

According to Roger s (2003) innovation has five attributes which influence the decision to adopt or reject the innovation.

Relative advantage

Compatibility

Complexity

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Trialability

Observability

(1 (Everett M. Rogers, Diffusion of Innovations, Fifth Edition 2003, Free Press, New

York, p221)

The success of the innovation spread is largely dependent on the five attributes above.

As stated by Roger (2003) the adopters of innovations are divided in to five categories namely –

Innovators (2. 5%) – the first takers of new technology or innovation, people who bear high risks, enjoy highest social status among other categories, and always updated with new technology and products in the market and financially sound.

Early Adopters (13. 5%) – they adopt the technology at the second fastest rate after the innovators, well educated, sociable and younger in age, enjoys highest opinion leadership for other categories.

Early Majority (34%) – Slower than the first two categories in adopting the innovation, influenced by the early adopters and forms the majority of all of the categories.

Late Majority (34%) – adopt the tried and tested technology, very less financially sound and enjoys least opinion leadership.

Laggards (16%) – also known as bargain hunters. Last to adopt the innovation, they wait for the price of the technology to go down so that they can buy them, least financially sound, almost no opinion leadership and with least sociable among other categories.

Diffusion of Innovation in case of iPhone

iPhone has been a sensation since its launch and has been a trend since then, with iPhone 4 as the latest version of the phone in the present market.

Firstly to apply Diffusion of innovation model to iPhone we need to discuss the five attributes of innovation stated by Roger (2003) that affects the rate of adoption of innovations.

Relative Advantage – iPhone is a combination of an iPod, a mobile phone and a high speed internet device, better looking than any other smart phone, the combination of all that gives a superior advantage over all other phones.

Compatibility – In U. S. A, AT&T is the exclusive network carrier of iPhone, but other than that In Australia it is offered by four major carriers, and five major carriers in U. K, which concludes its compatibility

Complexity – Apple products have the reputation of being the easiest to use and user friendly, it was Apple who commercialised the Graphical User Interface, Moreover before iPhone there was iPod and people have already experienced it and the working of both iPhone and iPod were similar, which reduced the complexity level by a great extent.

Trialability – Although it was available only in U. S. A before its international launch, it seemed that the innovators from other countries were able to

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unlock the phone and use it before it was legally available in their countries, it was estimated that around a million phones were unlocked from the AT&T network (CNET 2008). Which means that the unlocked phones were available in different countries and would have increased the diffusion process at a faster rate, and also as stated earlier the working of the iPod and iPhone are similar which also supports this attribute.

Observability - As iPhone has always been in much of media's attention and the information is always available in abundant, the consumers were always updated of the latest information and the buzz of iPhone, And U. S. A being the leading media nation makes the spread of information quickly very obvious.

So, after discussing all the attributes it can be concluded that iPhone has ticked all the boxes to facilitate faster adoption rate.

Applying the Diffusion of Innovation model to the international launch and Marketing Mix of the iPhone

As we know the diffusion of innovation process passes through five different categories namely - innovators, Early adopters, early majority, late majority and finally laggards. In case of the iPhone the main emphasis is on the innovators, early adopters and to some extent to the early majority.

Innovators - the iPhone was announced on Jan 9th 2007 and was put on sale on June 29th 2007, as a gap of more than 6 months was there, during this gap Apple was successful in arousing the interest of the potential customers of the iPhone and it was visible when hundreds of people queued outside the flagship stores of Apple.(CNNMoney. com)

It was also helped by the first review of the iPhone which were out just two days before the launch and were just fabulous which also contributed to stimulate interest in the public.

(<http://money.cnn.com/2007/06/29/technology/iphone/index.htm>
accessed on 2010-11-03)

(http://www.pcworld.com/article/133639/the_iphone_lots_to_love_but_flaws_too.html accessed on 2010-11-03)

Early Adopters – the most significant category for iPhone, their attraction towards the iPhone was obvious after seeing the record opening sales, estimated up to 700, 000 units to be sold in the first weekend alone(bloomerg.com), as the launch was a success leading to such massive sell out, early adopters wanted to be the trend setters.

(<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a6YRRDriRfE&refer=home> accessed on 2010-11-03)

Early Majority – category which forms the maximum proportion of the customers, waited to see if the phone was a success and it turned out to be, moreover they were helped by the price drop, as 8 GB model was available for \$399 and 4 GB for \$299.

(<http://blogs.pcworld.com/staffblog/archives/005337.html> accessed on 2010-11-03)

This category was benefited as the 16 GB model was out and also the SDK was introduced by Apple, to support that Apple Application store was launched, this meant the introduction of third party applications which were blocked earlier. Moreover they were benefited by the launch of the 2nd version of the phone named iPhone 3G, compatible with the faster 3g network.

(http://blogs.pcworld.com/staffblog/archives/007082.html?tk=rel_news accessed on 2010-11-03)

4) Late Majority & 5) Laggards - the least important categories for the iPhone, because for Apple the sun never sets, and Apple have been successful in every aspect to maintain their standard and position. Although they might see this as an opportunity for age group 55 + which mainly makes up both of these categories.

Marketing mix by Apple to achieve diffusion of innovation

The marketing mix for iPhone was well designed;

1) Product

equipped with latest features, high speed internet browser, sleek touch-screen and stylish outlook which ignited the innovators to buy the product and then the wave took all.(for the INNOVATORS category)

threat from the hackers was viewed as an opportunity , and they came to the conclusion that third party applications were high in demand, which lead the opening of the Apple Application Store(beneficial for the EARLY MAJORITY)

\$100 credit offered to early adopters in reaction of the early adopters to the price cut (in order to retain the EARLY ADOPTERS customers)

(http://www.pcworld.com/article/136924/apple_to_offer_early_iphone_buyers_100_store_credit.html accessed on 2010-11-03)

Launch of iPhone 3G with better speed and compatible with faster network (increase the EARLY ADOPTERS demand)

iTunes as activation agent to enhance the customer experience

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2) Price –

Price Skimming – kept high in the starting i. e. \$499 for 4 GB version and \$599 for 8 GB version (pcworld. com), reason being that high price signifies high social class and INNOVATORS have the highest

Prices slashed by \$200 for both 4 GB and 8 GB model in order to increase the demand amongst the EARLY MAJORITY category

iPhone 3G priced at easily affordable price of \$199 and \$299 for 8 and 16 GB models respectively in order to stimulate the demand.